

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 H-02 /055 W

----- 121894

R 301556Z JAN 76

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 9987

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E.O. 11652: N/A

TAGS: ELAB, EFIN, IS

SUBJECT: CURRENT STATUS OF 1976 WAGE NEGOTIATIONS

REF: 75 TEL AVIV 8010

1. SUMMARY: HISTADRUT AND EMPLOYERS HAVE AGREED ON WAGE INCREASE OF 6 PERCENT FOR 1976 AND 3 PERCENT FOR 1977. HOWEVER, A NUMBER OF ISSUES CONTINUE TO DELAY FINAL APPROVAL OF NEW CONTRACT, WHICH IS EXPECTED IN NEAR FUTURE. NEGOTIATIONS BETWEEN HISTADRUT AND GOVERNMENT ON WAGES IN PUBLIC SERVICES, SUBSIDIES FOR FOOD AND HEALTH SERVICES AND THE REORGANIZATION OF THE SOCIAL INSURANCE SYSTEM PROMISE TO BE DIFFICULT AND THE RESULTS UNCERTAIN. GOVERNMENT DETERMINATION TO HOLD ITS BUDGET AND FISCAL LINE APPEARS TO BE SOFTENING. END SUMMARY.

2. AGAINST BACKGROUND OF FEAR OF UNEMPLOYMENT AND OF GOVERNMENT'S DETERMINATION TO USE BUDGETARY RESTRAINTS AND TAX MEASURES TO REDUCE CONSUMPTION AND INFLATION, THE HISTADRUT AND THE EMPLOYERS WERE ABLE TO AGREE WITH RELATIVE EASE ON WAGE INCREASES OF SIX PERCENT FOR 1976 AND THREE PERCENT FOR 1977. WAGE INCREASES WILL GO INTO EFFECT RETROACTIVELY AS OF JANUARY 1. AN ESTIMATED TEN PERCENT COST OF LIVING INCREASE WILL BE ADDED IN

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APRILL PLUS AS YET TO BE DETERMINED ADJUSTMENTS EVERY

SIX MONTHS, COVERING 70 PERCENT OF THE COST OF LIVING INCREASE AS PROVIDED BY SEPARATE COL AGREEMENT.

3. FINAL CONCLUSION OF AGREEMENT IS HELD UP BY DIFFERENCES ON SUCH ISSUES AS DURATION OF CONTRACT (HISTADRUT WANTS TWO YEARS AND EMPLOYERS THREE YEARS), EMPLOYERS' DEMAND FOR GREATER DISCIPLINARY POWERS OVER EMPLOYEES TO DEAL WITH ABSENTEEISM, AND QUESTION OF PRODUCTIVITY VERSUS PROFIT AS PRINCIPAL MEASURES FOR DETERMINING FUTURE WAGE POLICY. AGREEMENT ON OTHER POLICY ISSUES, SUCH AS EQUALIZATION OF BLUE AND WHITE COLLAR EMPLOYEES' SALARY STATUS, PENSION RIGHTS, FRINGE BENEFITS, AND EVENTUALLY HOURS OF WORK REPORTEDLY HAS BEEN REACHED AT LEAST IN "PRINCIPLE".

4. CONSIDERING THAT BOTH PARTIES HAVE NOW PUBLICLY ANNOUNCED THEIR AGREEMENT ON WAGES, CONCLUSION OF NEGOTIATIONS EXPECTED SOON. SHOULD DIFFERENCES ON SOME POLICY ISSUES PROVE TOO DIFFICULT TO RESOLVE NOW, ESPECIALLY QUESTION OF CONTROLLING ABSENTEEISM, THESE MAY BE SEPARATED FROM NEW CONTRACT FOR FURTHER NEGOTIATIONS.

5. HISTADRUT DIFFICULTIES, HOWEVER, ARE NOT PRINCIPALLY WITH PRIVATE SECTOR. THE PRIME MINISTER AND FINANCE MINISTER HAVE ALREADY ANNOUNCED THAT PUBLIC SERVICE EMPLOYEES WILL NOT GET ANY WAGE INCREASES BEYOND COST OF LIVING ADJUSTMENT.

6. INDEED NO PROVISIONS HAVE BEEN MADE IN DRAFT BUDGET FOR ADDITIONAL WAGE INCREASES IN ORDER TO DEMONSTRATE GOI DETERMINATION TO RESIST DEMANDS. NEVERTHELESS, SEVERAL OF THE MORE MILITANT AND VOCIFEROUS CIVIL SERVICE GROUPS HAVE ALREADY ANNOUNCED THAT THEY WILL STRIKE UNLESS THEIR WAGES ARE ADJUSTED. IMPORTANT QUESTION OF SALARIES OF ENGINEERS IN PUBLIC SERVICES CONTINUES TO BE STUDIED BY SPECIAL COMMISSION. TAX EMPLOYEES, TEACHERS, ETC., ARE ASSERTING SPECIAL CLAIMS. GOVERNMENT KNOWS THAT IF IT GIVES IN TO ONE GROUP, IT MUST DO SO ALSO TO OTHERS. SPECIAL COMMISSION HEADED LIMITED OFFICIAL USE

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BY RPOFESSOR BARKAI IS NOW STUDYING WHOLE QUESTION OF PUBLIC SERVICE SALARIES, AND MINISTRY OF LABOR HAS INDICATED THAT WITH HISTADRUT AGREEMENT WHOLE QUESTION OF PUBLIC SERVICE WAGE AGREEMENT MAY BE HELD UP BEYOND APRIL CONTRACT DEADLINE UNTIL COMMISSION REPORTS FINDINGS.

7. IN MEANTIME, HISTADRUT AND GOVERNMENT CONTINUE TO

DISAGREE OPENLY ON QUESTIONS OF REDUCING SUBSIDIES FOR FOOD AND HEALTH SERVICES, AS WELL AS PROPOSED REFORMS OF THE WHOLE HEALTH AND SOCIAL SECURITY SYSTEM. HISTADRUT REMAINS STRONGLY OPPOSED TO SUBSIDY CUTS WHICH IT CHARGES WOULD IMMEDIATELY RAISE FOOD PRICES BY A THIRD AND REDUCE IN REAL TERMS GOVERNMENT CONTRIBUTIONS TO HEALTH, WEALTH AND EDUCATION BY 60 PERCENT.

8. HISTADRUT'S HEALTH INSURANCE WOULD RECEIVE CUT OF IL 300 MILLION IN SUBSIDIES AND WOULD THUS HAVE TO ADJUST INSURANCE CONTRIBUTIONS BEYOND RECENT INCREASES AND BEGIN CHARGING SMALL FEES FOR DRUGS AND MEDICAL SERVICES. AS GUARDIAN OF ZIONIST SOCIALISM AND EGALITARIANISM, HISTADRUT FEELS OBLIGED TO INSIST ON FULL MAINTENANCE OF SOCIAL SERVICES AND DEMANDS INSTEAD CUTS IN ADMINISTRATIVE AND CAPITAL EXPENDITURES.

9. UNDERLYING GOVERNMENT-HISTADRUT CONFLICT OVER SUBSIDIES AND SOCIAL WELFARE POLICY IS GOVERNMENT EFFORT NOT ONLY TO CUT FOOD AND WELFARE SUBSIDIES, BUT TO USE CUTS FOR IMPOSING REORGANIZATION AND RATIONALIZATION OF SOCIAL INSURANCE SYSTEM, AND ENCOURAGING GREATER AUTONOMY OF THE INSURANCE AND WELFARE FUNDS FROM HISTADRUT THROUGH INFORM GOVERNMENT-CONTROLLED BENEFIT SYSTEM DETACHED FROM EMPLOYMENT OR TRADE UNION MEMBERSHIP.

10. COMMENT: UNDER GOVERNMENT CHALLENGE THE HISTADRUT FEELS OBLIGED TO DEFEND ITS INSTITUTIONAL AND FUNCTIONAL INTEGRITY AGAINST REFORM MEASURES FOR WHICH IT IS NOT YET PREPARED. THE GOVERNMENT, IN TURN, APPEARS SATISFIED WITH LABOR'S COOPERATION ON WAGES AND IS NOW LESS LIKELY TO IMPOSE SIGNIFICANT REFORMS LIMITED OFFICIAL USE

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OF THE SOCIAL WELFARE SYSTEM ON A RELUCTANT HISTADRUT. SIMILARLY, SUPPORT IN THE KNESSET LABOR COMMITTEE FOR HARD NEW LABOR REFORM MEASURES IS WEAKENING. BUDGET CUTS ARE LIKELY TO REQUIRE ADDITIONAL INCREASES IN SOCIAL INSURANCE CONTRIBUTIONS BY MEMBERS AND SELECTED CUTS AND/OR ELIMINATIONS OF SUBSIDIES. HOWEVER, THESE MAY WELL BE MORE MODERATE THAN THE FINANCE MINISTRY HAD ORIGINALLY ENVISIONED. REFORM MEASURES CREATING GREATER EFFICIENCY, UNIFORM BENEFITS, AND SIGNIFICANTLY REDUCED DEPENDENCE ON GOVERNMENT SUBSIDIES FOR THE HISTADRUT HEALTH INSURANCE SYSTEM WILL PROBABLY HAVE TO WAIT. MOREOVER, THE SIZE OF THE RECENT IL 9 BILLION SUPPLEMENTARY BUDGET FOR 1975/76 AND THE GOVERNMENT'S READINESS TO REVERSE ITS DECISION TO SHUT DOWN THE TIMNA COPPER MINE AND

TO WITHHOLD SUBSIDIES FROM THE EGGED BUS COOPERA-
TIVE HAVE SERIOUSLY UNDERMINED THE CREDIBILITY OF THE
GOVERNMENT'S DETERMINATION TO MAINTAIN ITS FISCAL AND
BUDGET LINES. THUS, HISTADRUT, ON ITS PART, FEELS
ENCOURAGED TO STAND ITS GROUND.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, COST OF LIVING WAGE ADJUSTMENT, NEGOTIATIONS, LABOR UNIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TELAV00794
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760037-0839
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976013/aaaaabsx.tel
Line Count: 175
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 TEL AVIV 8010
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2004 by ElyME>; APPROVED <25 JUN 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CURRENT STATUS OF 1976 WAGE NEGOTIATIONS
TAGS: ELAB, EFIN, IS, HISTADRUT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006